

OKEMOS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Okemos Public Schools
Okemos, Michigan

August 15, 2005

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Okemos Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2005, on our consideration of Okemos Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Education
Okemos Public Schools
Okemos, Michigan

August 15, 2005

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and page 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Okemos Public Schools' basic financial statements. The additional information on pages 28 to 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer, Costenaro & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Okemos Public Schools District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section. A comparative analysis with the prior year has been provided.

FINANCIAL HIGHLIGHTS

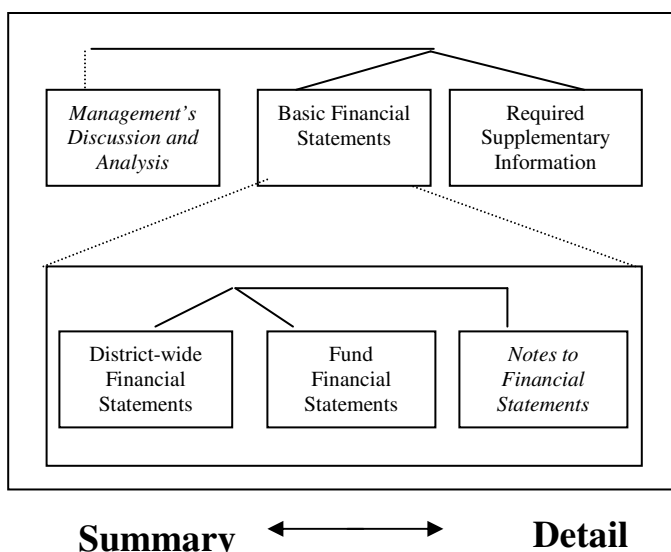
- The District's financial status remained stable. The District's overall revenues were \$47.7 million dollars.
- Total general fund revenues were \$39.6 million dollars. Revenues for the 2004-2005 school year increased by 3.9% from the previous year while expenditures increased 1.9% from the same period.
- The District reduced its outstanding long-term debt by \$970,243 or 1.4%.
- The District's enrollment increased by 2.4% or 98.72 students. This reflects a significant change in the district's trend and prediction of declining enrollment. The unanticipated increase can be attributed to a turnover of existing homes and apartments, as well as a significantly higher number of Korean families participating in an educational program established at Michigan State University.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Organization of Okemos Public
Schools' Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Okemos' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and the long-term cash flow needs of the District.

In the district-wide financial statements, the District's activities:

Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state foundation aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and trust activities).

The District has two kinds of funds:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) – The District’s *combined* net assets (deficit) was less on June 30, 2005, than the year before by \$708,939. The change was due primarily to cost controls implemented by the District.

A proactive approach to reducing expenditures was a significant contributor to the financial stability of the District, despite the fiscal challenges that faced the District during the school year.

Table A-3 Okemos Public Schools' Net Assets		
	2005	2004
Current and other assets	\$ 15,924,727	\$ 14,327,116
Capital and other non-current assets	62,886,730	64,076,768
Total assets	78,811,457	78,403,884
Long-term debt outstanding	65,908,831	67,023,465
Other liabilities	13,098,476	12,285,208
Total liabilities	79,007,307	79,308,673
Net assets:		
Invested in capital assets, net of related debt	(4,587,520)	(4,114,653)
Restricted	1,065,141	1,343,001
Unrestricted	3,326,529	1,866,863
Total net assets (deficit)	\$ (195,850)	\$ (904,789)

Table A-4		
Changes in Okemos Public Schools' Net Assets		
	2005	2004
Revenues:		
Program revenues:		
Charges for services	\$ 4,231,234	\$ 4,149,459
Federal and state categorical grants	894,861	697,764
General revenues:		
Property taxes	13,604,135	14,273,521
State aid - unrestricted	25,491,044	24,940,106
Ingham ISD	2,406,615	2,246,318
Gain on sale of assets	709,000	
Other	405,553	265,514
Total revenues	<u>47,742,442</u>	<u>46,572,682</u>
Expenses:		
Instruction	22,917,662	20,653,958
Support services	13,792,589	14,869,281
Community services	2,690,706	2,589,345
Food services	1,448,494	1,413,419
Athletics	713,228	705,891
Interest on long-term debt	3,969,994	4,091,474
Unallocated depreciation	1,500,830	1,444,602
Total expenses	<u>47,033,503</u>	<u>45,767,970</u>
Increase in net assets	<u>\$ 708,939</u>	<u>\$ 804,712</u>

District Governmental Activities

The stability of the District's financial position can be credited to a focus on reducing expenditures, while attempting to limit impact on K-12 programming. It can further be attributed to the increase in student enrollment, over the 2003-04 fiscal year. The District continued to monitor its financial status, and made the necessary adjustments to various financial challenges imposed upon the District during the 2004-2005.

- Through a proactive planning process, administration identified areas to dramatically reduce expenditures. Approximately, \$1.7 million in reductions were identified and implemented District wide and in all budget areas. These areas included: athletics, central office, community education, elementary and secondary instruction, operations and maintenance, transportation, special education and media and technology.
- In the previous fiscal year, the district paid \$550,000 to certified personnel who qualified and elected to receive the retirement incentive. This one time expense was eliminated from the 2004-05 budget. Further, the district's budget reflects the replacement of higher salaried personnel with lower salaried individuals generated from the vacancies that resulted from participation in the retirement incentive option.

- Okemos Public Schools successfully expanded its public Montessori program. It is the District's intent to continue to "grow the program", offering a unique approach to educating students that will draw families to Okemos Schools, as well as recapture or retain those children who may have gone to a private setting. The Montessori program was in its third year of implementation.
- The District continues to work with community leaders, collaboratively seeking alternative sources of revenue. In an effort to reduce the impact of budget reductions on K-12 programming, the Okemos Education Foundation sponsored "Okemos Cares", a community fund raising event. The Okemos community generously donated over \$130,000 to help finance programs that could no longer be funded through the general fund. A continued focus on creating additional revenue sources remains a District priority.
- Okemos Public Schools generated \$1.3 million through the sale of property on Hulett Road. Through re-zoning efforts with Meridian Township, as well as the contract language developed for potential buyers, the district has ensured that the sale of the property will result in "affordable housing" to attract families into the district. The sale of the property is a "one-time revenue" source, as well as an intentional means of generating funds over time through promoting and establishing family oriented neighborhoods.
- In an effort to monitor and manage expenditures, building level, as well as the executive administration level, operated with 20% less of their funds in specific areas for which they had spending discretion through February, 2005. However, since the 2004-05 fiscal year did not experience an unanticipated reduction in revenue or increased expenses, the 20% was released to administration/departments to be utilized if needed.

The District will continue to investigate expenditure reductions, as well as revenue enhancements in 2005-06 in an effort to maintain a stable financial environment. However, the sale of the property, as well as the increase in fund balance generated through careful management of expenditures and additional revenues during the 2004-05 fiscal year will give the district a one (1) year reprieve on aggressive budget reductions (2005-06).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined balances of \$6,772,431, an increase as compared to 2004 ending fund balances of \$5,812,923.

General Fund Highlights

Over the course of the year, the District revised the annual operating budget twice. These budget amendments are:

- Changes in November, 2004 to account for final enrollment counts and changes in assumptions since the original budget was adopted. This also included: actual reflection of health insurance premium increases; finalization of staffing; adjustment of supply and textbook budgets (based on enrollments); and adjustments to more accurately reflect spending trends.
- Changes in May, 2005 to account for finalization of the sale of the property; adjusted reimbursement from Ingham Intermediate School District for special education expenses; adjusted funding from the State; and adjustments to more accurately reflect revenue and expenditure trends.

- While the District's final budget for the general fund anticipated an excess (revenues to exceed expenditures) of \$218,156, the actual results were a \$534,568 excess.
- Actual revenues were \$141,275 higher than expected, due largely to special education reimbursements from the Intermediate School District, tax reimbursement from the township and various funding adjustments from the state.
- Actual expenditures were \$277,651 below budget, due primarily to reductions in overall spending, including contracted services related to accounting and technical support.

Capital Assets

By the end of 2005, the District had invested \$2 million in capital assets, including school building repairs and computer equipment. This amount represents a net decrease of \$.2 million, or .9 percent, from last year. Total depreciation expense for the year exceeded \$2.6 million.

Table A-5 Okemos Public Schools' Capital Assets <i>(net of depreciation, in millions of dollars)</i>		
	2005	2004
Land and land improvements	\$ 7.6	\$ 8.2
Buildings and improvements	50.7	50.9
Equipment and furniture	4.1	4.3
Vehicles	0.3	0.5
Total	<u>\$ 62.7</u>	<u>\$ 63.9</u>

The District's fiscal year 2006 capital budget anticipates spending another \$1.3 million for capital projects, principally to install flooring, roofs, asphalt, lighting, doors and HVAC systems.

Long-term Debt

At year-end the District had \$70.0 million in general obligation bonds and other long-term debt outstanding – a reduction of 1.4% percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

- The District continued to pay down its debt, retiring \$4.0 million of outstanding bonds.

SUMMARY

The district has maintained a proactive approach to the reduction of expenditures and the enhancement of revenues. As a result, the financial status of the District remained stable throughout the 2004-05 fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor and/or little to no increase in the state funding.
- Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.
- The District projects declining student enrollment for the immediate future. However, there are several new neighborhood developments within the district's boundaries. As these build out over time, there is the potential for stabilizing enrollments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Deputy Superintendent Office, Okemos Public School District, 4406 N. Okemos Road, Okemos, Michigan 48864.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 10,485,136
Investment	251,731
Receivables:	
Intergovernmental	4,799,737
Other	272,517
Inventories	<u>115,606</u>
TOTAL CURRENT ASSETS	<u>15,924,727</u>
NONCURRENT ASSETS:	
Deferred charges	165,546
Capital assets	98,315,635
Less accumulated depreciation	<u>(35,594,451)</u>
TOTAL NONCURRENT ASSETS	<u>62,886,730</u>
 TOTAL ASSETS	 <u><u>\$ 78,811,457</u></u>

See notes to financial statements.

	Governmental activities
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 444,826
Accrued interest payable	190,212
Salaries and fringe benefits payable	4,026,004
Deferred revenues	355,535
State aid anticipation note	4,000,000
Current portion of long-term obligations	3,915,000
Current portion of compensated absences	166,899
TOTAL CURRENT LIABILITIES	13,098,476
NONCURRENT LIABILITIES:	
Long-term obligations	63,572,253
Compensated absences	2,336,578
TOTAL NONCURRENT LIABILITIES	65,908,831
TOTAL LIABILITIES	79,007,307
NET ASSETS (DEFICIT):	
Investment in capital assets net of related debt	(4,587,520)
Restricted for trust activities	339,147
Restricted for debt service	725,994
Unrestricted	3,326,529
TOTAL NET ASSETS (DEFICIT)	(195,850)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 78,811,457

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 22,917,662	\$	\$ 522,108	\$ (22,395,554)
Support services	13,792,589	209,029	107,909	(13,475,651)
Community services	2,690,706	2,563,152	54,264	(73,290)
Food services	1,448,494	1,221,306	210,580	(16,608)
Athletics	713,228	237,747		(475,481)
Interest on long-term debt	3,969,994			(3,969,994)
Unallocated depreciation	1,500,830			(1,500,830)
Total governmental activities	<u>\$ 47,033,503</u>	<u>\$ 4,231,234</u>	<u>\$ 894,861</u>	<u>(41,907,408)</u>
General revenues:				
Property taxes, levied for general purposes				7,646,466
Property taxes, levied for debt service				4,403,081
Property taxes, levied for capital projects				1,554,588
Investment earnings				171,948
State sources				25,491,044
Ingham ISD special education allocation				2,406,615
Other				233,605
Special item - Gain on sale of land				<u>709,000</u>
Total general revenues and special item				<u>42,616,347</u>
CHANGE IN NET ASSETS				708,939
NET ASSETS (DEFICIT), beginning of year				<u>(904,789)</u>
NET ASSETS (DEFICIT), end of year				<u>\$ (195,850)</u>

ASSETS

LIABILITIES AND FUND BALANCES

Accounts payable
Salaries and fringe benefits payable
Due to other funds
Deferred revenues
State aid anticipation note

TOTAL LIABILITIES

TOTAL LIABILITIES AND FUND BALANCES

\$ (195,850)

OKEMOS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

[illegible]

OKEMOS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net change in fund balances total governmental funds **\$ 959,508**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(2,587,310)
Capital outlay	2,000,097
Net book value of assets sold	(591,000)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable beginning of the year	200,558
Accrued interest payable end of the year	(190,212)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortization in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Payment on debt	3,780,000
Amortization of premium on debt	252,500
Amortization of deferred issuance costs	(11,825)
Current year accretion on bonds	(2,789,305)
Amortization of deferred amount on bond refunding	(132,100)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Property tax revenue, beginning of the year	(50,544)
Deferred revenue, beginning of the year	(316,507)
Deferred revenue, end of the year	325,931

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when due in the governmental funds:

Accrued compensated absences beginning of the year	2,362,625
Accrued compensated absences end of the year	(2,503,477)

Change in net assets of governmental activities	\$ 708,939
--------------------------------------------------------	-------------------

See notes to financial statements.

OKEMOS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2005

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 635,143</u>
TOTAL ASSETS	<u><u>\$ 635,143</u></u>
LIABILITIES	
Liabilities:	
Payable Okemos Public Schools	\$ 15,067
Due to student groups:	
Elementary	124,981
Business office	90,757
Middle school	196,461
High school	<u>207,877</u>
TOTAL LIABILITIES	<u><u>\$ 635,143</u></u>

OKEMOS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Okemos Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Okemos Public Schools (the "District") is governed by the Okemos Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and Dart gifted education fund in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Sinking Funds - The Okemos Public Schools Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The capital projects fund includes capital project activities funded with qualified bonds issued after May 1, 1994. Beginning with the year of bond issuance, the District has reported the annual activity in the 2003 capital projects fund. The cumulative revenue and expenditures are as follows:

	2003 Technology fund
Revenue	\$ 14,842
Other financing sources - bond proceeds	\$ 975,000
Expenditures	\$ 812,542

For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded primarily when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2004 to August 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	4.2400
Capital projects funds (Sinking Fund) - Homestead and non-homestead	1.4894

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds).

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

6. Compensated Absences

The District's contracts generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and significant special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and significant special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2005. The District does not consider these amendments to be significant.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	\$ 9	0.0027	AAAm	1%
MILAF External Investment pool -MIMAX	1,722	0.0027	AAAm	99%
Total fair value	<u>\$ 1,731</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2005, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$12,421,417 of the District's bank balance of \$12,634,046 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the totals above are certificates of deposit of \$2,250,000 and other interest bearing deposits.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in Note 3:

Deposits - including fiduciary funds of \$635,143 carrying amount	\$ 11,385,346
Investments	<u>1,731</u>
	<u><u>\$ 11,387,077</u></u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 650,210
Cash - District-wide	10,485,136
Investments - District-wide	<u>251,731</u>
	<u><u>\$ 11,387,077</u></u>

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Assets, not being depreciated:				
Land	\$ 5,263,984	\$	\$ (591,000)	\$ 4,672,984
Construction in process		390,780		390,780
Subtotal	<u>5,263,984</u>	<u>390,780</u>	<u>(591,000)</u>	<u>5,063,764</u>
Other capital assets:				
Land improvements	5,383,479	235,946		5,619,425
Building and improvements	70,178,605	909,820		71,088,425
Furniture and fixtures	6,136,133	40,892		6,177,025
Machinery and equipment	2,951,149			2,951,149
Computers and equipment	5,489,901	406,659		5,896,560
Transportation equipment	1,503,287	16,000		1,519,287
Subtotal	<u>91,642,554</u>	<u>1,609,317</u>		<u>93,251,871</u>
Accumulated depreciation:				
Land improvements	2,486,509	259,014		2,745,523
Building and improvements	19,292,725	1,500,830		20,793,555
Furniture and fixtures	3,621,732	227,750		3,849,482
Machinery and equipment	1,962,952	89,646		2,052,598
Computers and equipment	4,597,398	385,390		4,982,788
Transportation equipment	1,045,825	124,680		1,170,505
Total accumulated depreciation	<u>33,007,141</u>	<u>2,587,310</u>		<u>35,594,451</u>
Net other capital assets	<u>58,635,413</u>	<u>(977,993)</u>		<u>57,657,420</u>
Net capital assets	<u><u>\$63,899,397</u></u>	<u><u>\$(587,213)</u></u>	<u><u>\$ (591,000)</u></u>	<u><u>\$62,721,184</u></u>

Depreciation for the fiscal year ended June 30, 2005 amounted to \$2,587,310. The District allocated depreciation to the various activities as follows:

Instruction	\$ 860,478
Support	220,039
Community Service	5,963
Unassigned	<u>1,500,830</u>
	<u><u>\$ 2,587,310</u></u>

Construction in process consists of a new roof for Kinawa Middle School and Central Grade School. The estimated completion date is September of 2005. Completion costs are estimated to be an additional \$283,120.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Intergovernmental receivables at June 30, 2005 consist of the following:

State aid	\$ 4,682,571
Intermediate school district	<u>117,166</u>
Total	<u><u>\$ 4,799,737</u></u>

Amounts due from other governmental units include amounts due from state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 6 - NOTE PAYABLE

At June 30, 2005, the District has a note payable outstanding of \$4,000,000. The note has an interest rate of 1.57% and matures August 19, 2005. The District has funds on deposit with financial institutions, which are included in cash on the statement of net assets to be applied against the \$4,000,000 note. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance <u>June 30, 3004</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2005</u>
<u><u>\$ 4,000,000</u></u>	<u><u>\$ 4,000,000</u></u>	<u><u>\$ (4,000,000)</u></u>	<u><u>\$ 4,000,000</u></u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2005:

	Accumulated compensated absences	Bonded debt	Total
Balance, July 1, 2004	\$ 2,362,625	\$ 68,598,348	\$ 70,960,973
Additions	140,852	2,921,405	3,062,257
Deletions	<u> </u>	<u>(4,032,500)</u>	<u>(4,032,500)</u>
Balance, June 30, 2005	2,503,477	67,487,253	69,990,730
Less current portion	<u>(166,899)</u>	<u>(3,915,000)</u>	<u>(4,081,899)</u>
Total due after one year	<u><u>\$ 2,336,578</u></u>	<u><u>\$ 63,572,253</u></u>	<u><u>\$ 65,908,831</u></u>

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (Continued)

Long-term debt currently outstanding is as follows:

1991 capital appreciation (serial) bonds due in an annual installment of \$2,275,000 on May 1, 2006 with effective interest from 7.0% to 8.25% (maturity value \$7,080,000)	\$ 470,620	
Recorded appreciation	<u>1,627,662</u>	\$ 2,098,282
1993 capital appreciation (serial) bonds due in annual installment of \$6,325,000 to \$9,960,000 from May 1, 2012 to May 1, 2021 with effective interest at 6.45% to 6.55% (maturity value \$80,225,000)	17,321,722	
Recorded appreciation	<u>20,654,277</u>	37,975,999
1993 capital appreciation (serial) bonds due on May 1, 2007 with effective interest at 5.75% (maturity value \$2,420,000)	1,100,858	
Recorded appreciation	<u>1,059,718</u>	2,160,576
1999 general obligation bonds due in annual installments of \$305,000 to \$2,025,000 from May 1, 2006 through May 1, 2009 with interest at 4.45% to 4.70%		3,365,000
2001 energy bonds due in an installment of \$200,000 on May 1, 2006 with interest at 3.40% to 4.70%		200,000
2002 general obligation bonds due in installments of \$280,000 to \$670,000 from May 1, 2006 to May 1, 2008 with interest at 3.00% to 3.875%		1,340,000
2003 general obligation bonds due in installments of \$110,000 to \$5,875,000 from 2006 to 2019 with interest at 2.0% to 5.0%		19,485,000

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (Concluded)

2003 general obligation bonds due in installments of \$175,000 to \$300,000 from 2006 to 2008 with interest at 2.5% to 2.75%	\$ 700,000
Plus: premium on bond refunding	1,009,753
Less: deferred amount on bond refunding	<u>(847,357)</u>
Total general obligation debt	67,487,253
Obligation under contract for compensated absences	<u>2,503,477</u>
Total general long-term debt	<u><u>\$ 69,990,730</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2005 bonds outstanding and considered defeased were \$86,205,789.

The annual requirements to amortize debt outstanding as of June 30, 2005, including interest payments are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2006	\$ 3,915,000	\$ 1,141,274	\$ 5,056,274
2007	3,860,000	1,088,577	4,948,577
2008	4,105,000	1,039,328	5,144,328
2009	4,665,000	853,432	5,518,432
2010	5,255,000	632,856	5,887,856
2011 - 2015	34,335,000	678,231	35,013,231
2016 - 2020	43,915,000	90,863	44,005,863
2021	<u>9,960,000</u>	<u> </u>	<u>9,960,000</u>
	110,010,000	5,524,561	115,534,561
Unrealized appreciation	(42,685,143)		(42,685,143)
Premium amount on bond refunding	1,009,753		1,009,753
Deferred loss on bond refunding	(847,357)		(847,357)
Accumulated compensated absences	<u>2,503,477</u>		<u>2,503,477</u>
	<u><u>\$ 69,990,730</u></u>	<u><u>\$ 5,524,561</u></u>	<u><u>\$ 75,515,291</u></u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2005 are as follows:

Receivable fund		Payable fund	
General fund	\$ 202,508	Food service fund	\$ 191,688
		Debt service fund 1999T	26,966
		Debt service fund 2003T	7,897
2003 technology fund	13,227	Sinking fund	94,973
General fund	81,746		
Debt service fund 2003R	124,106	Debt service fund 1993	222,584
Debt service fund 1991	46,895		
Debt service fund 2002R	39,155		
Debt service fund 1999R	2,669		
Debt service fund 1994	1		
Dart fund	147		
General fund	33,654		
	<u>\$ 544,108</u>		<u>\$ 544,108</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the year ended June 30, 2005, the rate was 12.99% through September 2004 and 14.87% for October 1, 2004 through June 30, 2005. The contribution requirements of the plan members and the District are established and may be amended by the MPSERS Board of Trustee. The District contributions to MPSERS for the years ended June 30, 2005, 2004 and 2003 were approximately \$3,680,000, \$3,087,000 and \$3,270,000, respectively, equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Postemployment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceeded the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. This program is recorded in the general fund. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

Self-funded dental and vision insurance programs were approved by the Board of Education and implemented for support personnel. All plans have limits on amounts for expenditures that will be reimbursed. This program is recorded in the general fund. Any liability for incurred and unreported claims is not considered material.

Settlements have not exceeded coverage for each of the past three fiscal years. Changes in the balances of claims liabilities during the past three years have been immaterial.

NOTE 12 - TRANSFERS

The general fund transferred \$48,000 to the school lunch fund to supplement operating revenues. The capital projects sinking fund transferred \$203,460 to the capital projects energy bond fund to make the annual debt service payment. The 1993 debt service fund transferred \$850,000 to the 2003 refunding debt service fund. The 1999 technology debt service fund transferred \$24,043 to the 2002 refunding debt service fund. The debt service transfers were to reallocate property tax revenues.

NOTE 13 - FUND DEFICIT

The capital projects sinking fund has a fund deficit of \$(417,740). This deficit will be removed by recognizing future tax revenues in this fund.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent to year-end, the District entered into an agreement to purchase a \$2,700,000 State aid note bearing interest at 2.92% and maturing August 18, 2006. The note is secured by the full faith and credit of the District as well as pledged state aid.

REQUIRED SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance with final budget - positive (negative)
REVENUES:				
Local sources	\$ 11,164,831	\$ 10,748,612	\$ 10,961,898	\$ 213,286
State sources	24,407,466	25,736,204	25,694,396	(41,808)
Federal sources	497,807	557,983	486,219	(71,764)
Intermediate district and other transactions	2,276,138	2,392,284	2,442,445	50,161
Total revenues	38,346,242	39,435,083	39,584,958	149,875
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	17,626,941	17,896,868	18,171,161	(274,293)
Added needs	4,896,042	4,062,235	3,792,122	270,113
Total instruction	22,522,983	21,959,103	21,963,283	(4,180)
Support services:				
Pupil	1,401,438	2,367,024	2,439,933	(72,909)
Instruction staff	1,365,121	1,298,214	1,228,776	69,438
General administration	688,848	701,033	677,335	23,698
School administration	2,411,945	2,482,013	2,438,125	43,888
Business	1,308,564	1,144,456	1,071,750	72,706
Operations and maintenance	4,069,582	4,236,316	4,171,078	65,238
Transportation	763,449	799,309	783,348	15,961
Central	415,416	383,586	385,877	(2,291)
Other support services		474,611	444,915	29,696
Total support services	12,424,363	13,886,562	13,641,137	245,425
Community services	2,727,865	2,794,231	2,684,742	109,489
Athletics	633,405	640,145	713,228	(73,083)
Total expenditures	38,308,616	39,280,041	39,002,390	277,651
EXCESS OF REVENUES OVER EXPENDITURES	37,626	155,042	582,568	427,526
OTHER FINANCING SOURCES (USES):				
Transfers in		63,114		(63,114)
Transfers out			(48,000)	(48,000)
Total other financing sources (uses)		63,114	(48,000)	(111,114)
SPECIAL ITEM:				
Sale of school property		1,300,000	1,300,000	
NET CHANGE IN FUND BALANCE	<u>\$ 37,626</u>	<u>\$ 1,518,156</u>	1,834,568	<u>\$ 316,412</u>
FUND BALANCE, beginning of year			3,910,332	
FUND BALANCE, end of year			<u>\$ 5,744,900</u>	

ADDITIONAL INFORMATION

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2005**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash	\$ 244,161	\$ 960,215	\$ 233,233	\$ 1,437,609
Investment	250,000	612	102	250,714
Receivables:				
Intergovernmental	7,570			7,570
Other	19,273			19,273
Due from other funds	147	212,826	13,227	226,200
Inventory	21,053			21,053
TOTAL ASSETS	<u>\$ 542,204</u>	<u>\$ 1,173,653</u>	<u>\$ 246,562</u>	<u>\$ 1,962,419</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$	\$	\$ 390,780	\$ 390,780
Due to other funds	191,688	257,447	94,973	544,108
TOTAL LIABILITIES	<u>191,688</u>	<u>257,447</u>	<u>485,753</u>	<u>934,888</u>
FUND BALANCES (DEFICIT):				
Reserved for:				
Trust activities	339,147			339,147
Capital projects			178,549	178,549
Debt service		916,206		916,206
Total reserved	339,147	916,206	178,549	1,433,902
Undesignated	11,369		(417,740)	(406,371)
TOTAL FUND BALANCES (DEFICIT)	<u>350,516</u>	<u>916,206</u>	<u>(239,191)</u>	<u>1,027,531</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 542,204</u>	<u>\$ 1,173,653</u>	<u>\$ 246,562</u>	<u>\$ 1,962,419</u>

OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2005

	Special revenue	Debt service	Capital projects	Total nonmajor governmental funds
REVENUES:				
Local sources:				
Property taxes	\$	\$ 4,413,759	\$ 1,554,588	\$ 5,968,347
Interest	14,521	51,089	23,761	89,371
Food service sales	1,221,306			1,221,306
Total local sources	1,235,827	4,464,848	1,578,349	7,279,024
State sources	53,076			53,076
Federal sources	157,504			157,504
Total revenues	1,446,407	4,464,848	1,578,349	7,489,604
EXPENDITURES:				
School lunch	1,448,494			1,448,494
Capital outlay	40,892		1,952,243	1,993,135
Debt service:				
Principal		3,590,000	190,000	3,780,000
Interest		1,177,175	13,460	1,190,635
Miscellaneous		400		400
Total expenditures	1,489,386	4,767,575	2,155,703	8,412,664
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,979)	(302,727)	(577,354)	(923,060)
OTHER FINANCING SOURCES:				
Transfers in	48,000			48,000
Total other financing sources	48,000			48,000
NET CHANGE IN FUND BALANCES	5,021	(302,727)	(577,354)	(875,060)
FUND BALANCES:				
Beginning of year	345,495	1,218,933	338,163	1,902,591
End of year	\$ 350,516	\$ 916,206	\$ (239,191)	\$ 1,027,531

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
LOCAL SOURCES:			
Property taxes	\$ 7,478,379	\$ 7,646,466	\$ 168,087
Community services	2,658,865	2,563,152	(95,713)
Interest	55,000	82,577	27,577
Athletics	197,000	237,747	40,747
Other	359,368	431,956	72,588
	<u>10,748,612</u>	<u>10,961,898</u>	<u>213,286</u>
STATE SOURCES:			
State aid	25,736,204	25,694,396	(41,808)
FEDERAL SOURCES:			
Title I	69,536	70,000	464
Other grants	488,447	416,219	(72,228)
	<u>557,983</u>	<u>486,219</u>	<u>(71,764)</u>
INTERMEDIATE DISTRICT TRANSACTIONS:			
Intermediate school district	2,392,284	2,442,445	50,161
TOTAL REVENUES	<u><u>\$ 39,435,083</u></u>	<u><u>\$ 39,584,958</u></u>	<u><u>\$ 149,875</u></u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries:			
Faculty	\$ 5,268,924	\$ 5,263,807	\$ 5,117
Reserve faculty	198,308	196,995	1,313
Employee insurance/benefits	873,239	987,245	(114,006)
Retirement	812,979	800,425	12,554
FICA	418,242	430,753	(12,511)
Travel	13,500	10,562	2,938
Contracted services	62,000	53,244	8,756
Supplies	118,686	134,310	(15,624)
Textbooks	38,405	33,586	4,819
Capital outlay	29,400	33,886	(4,486)
	<u>7,833,683</u>	<u>7,944,813</u>	<u>(111,130)</u>
Total elementary			
Middle school:			
Faculty salaries	3,113,863	3,122,590	(8,727)
Reserve faculty salaries	5,000	6,463	(1,463)
Employee insurance/benefits	486,106	515,272	(29,166)
Retirement	464,961	461,101	3,860
FICA	239,659	242,542	(2,883)
Travel	1,000	789	211
Contracted services	40,000	41,350	(1,350)
Supplies	54,184	54,107	77
Textbooks	15,005	6,195	8,810
	<u>4,419,778</u>	<u>4,450,409</u>	<u>(30,631)</u>
Total middle school			
High school:			
Salaries:			
Faculty	3,822,953	3,831,441	(8,488)
Extra duty	85,406	154,407	(69,001)
Reserve faculty		5,493	(5,493)
Employee insurance/benefits	643,000	699,278	(56,278)
Retirement	574,450	572,249	2,201
FICA	298,386	299,246	(860)

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
INSTRUCTION (Continued):			
Basic programs (Concluded):			
High school (Concluded):			
Contracted services	\$ 48,000	\$ 59,993	\$ (11,993)
Supplies	150,980	144,707	6,273
Textbooks	20,232	9,125	11,107
	<u>5,643,407</u>	<u>5,775,939</u>	<u>(132,532)</u>
Total high school			
	<u>5,643,407</u>	<u>5,775,939</u>	<u>(132,532)</u>
Total basic programs	<u>17,896,868</u>	<u>18,171,161</u>	<u>(274,293)</u>
Added needs:			
Special education:			
Salaries:			
Faculty	1,655,549	1,586,425	69,124
Teacher aides	260,000	235,924	24,076
Reserve faculty	80,717	74,184	6,533
Employee insurance/benefits	403,319	407,694	(4,375)
Retirement	292,277	269,120	23,157
FICA	145,644	140,278	5,366
Travel and conferences	5,000	2,500	2,500
Contracted services	41,650	21,987	19,663
Supplies	20,784	15,736	5,048
Textbooks	1,000		1,000
	<u>2,905,940</u>	<u>2,753,848</u>	<u>152,092</u>
Total special education			
	<u>2,905,940</u>	<u>2,753,848</u>	<u>152,092</u>
Compensatory education:			
Salaries:			
Faculty	631,673	621,085	10,588
Teacher aides	135,365	58,685	76,680
Reserve faculty	2,180	2,180	
Employee insurance/benefits	64,934	68,764	(3,830)
Retirement	87,047	72,338	14,709
FICA	44,783	38,180	6,603
Contracted services	49,751	38,466	11,285
Compensatory education	2,700	2,390	310
Supplies	11,334	2,856	8,478
	<u>1,029,767</u>	<u>904,944</u>	<u>124,823</u>
Total compensatory education			
	<u>1,029,767</u>	<u>904,944</u>	<u>124,823</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
INSTRUCTION (Concluded):			
Added needs (Concluded):			
Gifted programs:			
Salaries	\$ 93,436	\$ 93,436	\$
Employee insurance/benefits	11,750	12,830	(1,080)
Retirement	13,894	14,170	(276)
FICA	7,148	7,543	(395)
Travel	300	301	(1)
Contracted services		5,050	(5,050)
	<u>126,528</u>	<u>133,330</u>	<u>(6,802)</u>
Total gifted programs			
	<u>126,528</u>	<u>133,330</u>	<u>(6,802)</u>
Total added needs	<u>4,062,235</u>	<u>3,792,122</u>	<u>270,113</u>
TOTAL INSTRUCTION	<u>21,959,103</u>	<u>21,963,283</u>	<u>(4,180)</u>
SUPPORT SERVICES:			
Pupil:			
Guidance services:			
Salaries:			
Counselors	800,075	822,956	(22,881)
Clerical	26,310	25,338	972
Employee insurance/benefits	137,175	144,870	(7,695)
Retirement	122,883	123,634	(751)
FICA	63,219	65,853	(2,634)
Supplies	3,800	2,107	1,693
	<u>1,153,462</u>	<u>1,184,758</u>	<u>(31,296)</u>
Total guidance services			
	<u>1,153,462</u>	<u>1,184,758</u>	<u>(31,296)</u>
Special education support:			
Psychological services:			
Salaries	199,876	202,808	(2,932)
Employee insurance/benefits	33,413	33,600	(187)
Retirement	29,722	29,736	(14)
FICA	15,291	15,521	(230)
Travel and conference	1,500	495	1,005
Supplies	5,000	2,961	2,039
Speech pathology and audiology:			
Salaries	277,150	284,172	(7,022)
Employee insurance/benefits	50,120	52,002	(1,882)
Retirement	41,212	41,740	(528)

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
SUPPORT SERVICES (Continued):			
Pupil (Continued):			
Special education support (Continued):			
Speech pathology and audiology (Concluded):			
FICA	\$ 21,202	\$ 21,746	\$ (544)
Travel and conference	2,100	1,805	295
Supplies	1,500	655	845
Social work services:			
Salaries	170,620	173,698	(3,078)
Employee insurance/benefits	25,961	30,572	(4,611)
Retirement	25,371	25,418	(47)
FICA	13,052	13,414	(362)
Travel and conference	1,300	255	1,045
Supplies	300	176	124
Teacher consultant:			
Salaries	55,655	53,696	1,959
Employee insurance/benefits	8,910	8,940	(30)
Retirement	8,276	7,840	436
FICA	4,258	4,107	151
Total special education support	<u>991,789</u>	<u>1,005,357</u>	<u>(13,568)</u>
Other pupil services:			
Salaries	180,928	205,028	(24,100)
Retirement	26,904	29,117	(2,213)
FICA	13,841	15,673	(1,832)
Supplies	100		100
Total other pupil services	<u>221,773</u>	<u>249,818</u>	<u>(28,045)</u>
Total pupil	<u>2,367,024</u>	<u>2,439,933</u>	<u>(72,909)</u>
Instructional staff:			
Curriculum improvement:			
Salaries:			
Faculty	124,233	125,706	(1,473)
Clerical	47,477	47,717	(240)
Employee insurance/benefits	14,500	18,096	(3,596)
Retirement	10,515	10,330	185
FICA	5,409	5,465	(56)

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
SUPPORT SERVICES (Continued):			
Instructional staff (Continued):			
Curriculum improvement (Concluded):			
Contracted services	\$ 20,500	\$ 8,703	\$ 11,797
Travel and conferences	40,190	28,627	11,563
Textbooks	33,080	33,671	(591)
Supplies	25,200	23,594	1,606
Program development	46,261	19,083	27,178
	<u>367,365</u>	<u>320,992</u>	<u>46,373</u>
 Total curricular improvement			
	<u>367,365</u>	<u>320,992</u>	<u>46,373</u>
 Library:			
Salaries	326,024	332,813	(6,789)
Employee insurance/benefits	46,843	49,286	(2,443)
Retirement	48,479	47,205	1,274
FICA	24,941	25,486	(545)
Contracted services	11,500	1,165	10,335
IMC books	32,500	37,771	(5,271)
Capital outlay	9,000	6,700	2,300
Supplies	22,000	21,612	388
Miscellaneous	4,000		4,000
Contracted services - audio visual	18,000	9,535	8,465
Supplies - audio visual	5,000	4,735	265
	<u>548,287</u>	<u>536,308</u>	<u>11,979</u>
 Total library			
	<u>548,287</u>	<u>536,308</u>	<u>11,979</u>
 Supervision and direction:			
Salaries:			
Directors	100,066	111,778	(11,712)
Clerical	45,000	37,047	7,953
Employee insurance/benefits	18,800	21,394	(2,594)
Retirement	21,572	20,816	756
FICA	11,098	10,279	819
Postage	500	412	88
Contracted services	30,000	15,537	14,463
Travel and conferences	1,500	1,069	431
Supplies	6,400	3,991	2,409
	<u>234,936</u>	<u>222,323</u>	<u>12,613</u>
 Total supervision and direction			
	<u>234,936</u>	<u>222,323</u>	<u>12,613</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
SUPPORT SERVICES (Continued):			
Instructional staff (Concluded):			
Other instructional services:			
Salaries - area coordinators	\$ 110,697	\$ 110,768	\$ (71)
Employee insurance/benefits	12,000	15,211	(3,211)
Retirement	16,461	14,893	1,568
FICA	8,468	8,281	187
	<u>147,626</u>	<u>149,153</u>	<u>(1,527)</u>
Total other instructional services			
	<u>1,298,214</u>	<u>1,228,776</u>	<u>69,438</u>
Total instructional staff			
General administration:			
Board of Education:			
Salaries	1,050		1,050
Contracted services	133,200	163,290	(30,090)
Travel	4,000	6,701	(2,701)
Association fees	5,500	18	5,482
	<u>143,750</u>	<u>170,009</u>	<u>(26,259)</u>
Total Board of Education			
Executive administration:			
Salaries:			
Administrators	268,190	254,564	13,626
Clerical	104,000	103,160	840
Employee insurance/benefits	33,175	35,836	(2,661)
Retirement	55,345	47,009	8,336
FICA	28,473	21,472	7,001
Contracted services	20,000	20,486	(486)
Travel and conferences	8,000	7,408	592
Postage	15,000	13,201	1,799
Advertising	2,500	54	2,446
Publications	5,000	1,041	3,959
Office supplies	4,000	499	3,501
Miscellaneous	13,600	2,596	11,004
	<u>557,283</u>	<u>507,326</u>	<u>49,957</u>
Total executive administration			
Total general administration	<u>701,033</u>	<u>677,335</u>	<u>23,698</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
SUPPORT SERVICES (Continued):			
School administration:			
Office of the principal:			
Salaries:			
Principals	\$ 1,159,046	\$ 1,161,470	\$ (2,424)
Clerical	512,911	503,846	9,065
Employee insurance/benefits	298,379	313,815	(15,436)
Retirement	247,130	237,290	9,840
FICA	127,906	119,836	8,070
Travel and conferences	15,000	355	14,645
Postage	48,000	45,280	2,720
Contracted services	24,401	16,652	7,749
Supplies	36,200	27,568	8,632
Miscellaneous	13,040	12,013	1,027
	<u>2,482,013</u>	<u>2,438,125</u>	<u>43,888</u>
Total school administration			
Business:			
Fiscal services:			
Salaries:			
Administrator	104,800	106,583	(1,783)
Clerical	90,000	82,780	7,220
Employee insurance/benefits	51,887	54,609	(2,722)
Retirement	28,967	26,685	2,282
FICA	14,902	14,939	(37)
Travel and conferences	2,000	923	1,077
Contracted services	17,000	25,809	(8,809)
Supplies	8,500	10,590	(2,090)
Association fees	1,200	630	570
	<u>319,256</u>	<u>323,548</u>	<u>(4,292)</u>
Total fiscal services			
Internal and other business services:			
Salaries	272,611	251,782	20,829
Employee insurance/benefits	110,106	89,802	20,304
Retirement	34,589	30,599	3,990
FICA	20,854	17,844	3,010
Contracted services	213,000	188,401	24,599
Supplies	32,000	47,457	(15,457)
Other supplies	30,000	18,647	11,353

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
SUPPORT SERVICES (Continued):			
Business (Concluded):			
Internal and other business services (Concluded):			
Interest	\$ 71,940	\$ 60,601	\$ 11,339
Miscellaneous	35,100	24,871	10,229
Tax collection fees	5,000	1,356	3,644
Capital outlay	-	16,842	(16,842)
	<u>825,200</u>	<u>748,202</u>	<u>76,998</u>
Total internal and other business services			
	<u>825,200</u>	<u>748,202</u>	<u>76,998</u>
Total business	<u>1,144,456</u>	<u>1,071,750</u>	<u>72,706</u>
Operation and maintenance of plant:			
Salaries:			
Supervisor	113,781	119,390	(5,609)
Staff	1,553,960	1,539,239	14,721
Employee insurance/benefits	380,000	392,420	(12,420)
Retirement	247,993	236,167	11,826
FICA	127,582	127,282	300
Travel and conferences	1,000	1,087	(87)
Telephone	135,000	110,266	24,734
Utilities	1,187,000	1,130,133	56,867
Contracted services	215,000	242,043	(27,043)
Supplies	250,000	272,095	(22,095)
Capital outlay	25,000	956	24,044
	<u>4,236,316</u>	<u>4,171,078</u>	<u>65,238</u>
Total operation and maintenance of plant			
	<u>4,236,316</u>	<u>4,171,078</u>	<u>65,238</u>
Pupil transportation services:			
Salaries:			
Supervisor	59,522	65,879	(6,357)
Clerical	9,500	10,429	(929)
Bus drivers	323,714	328,323	(4,609)
Garage employees	40,118	41,750	(1,632)
Employee insurance/benefits	115,200	121,676	(6,476)
Retirement	64,365	64,344	21
FICA	33,113	34,454	(1,341)
Travel and conferences	4,000	1,065	2,935
Contracted services	19,700	18,304	1,396
Supplies	128,277	96,284	31,993

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
SUPPORT SERVICES (Concluded):			
Pupil transportation services (Concluded):			
Office supplies	\$ 1,800	\$ 840	\$ 960
Total pupil transportation services	<u>799,309</u>	<u>783,348</u>	<u>15,961</u>
Central:			
Staff services:			
Salaries		568	(568)
Retirement		85	(85)
FICA		43	(43)
Data processing services:			
Salaries	178,000	171,403	6,597
Employee insurance/benefits	32,000	35,080	(3,080)
Retirement	26,469	24,637	1,832
FICA	13,617	13,121	496
Data processing services	114,500	133,656	(19,156)
Supplies	15,000	5,470	9,530
Capital outlay		1,417	(1,417)
Travel and conference	<u>4,000</u>	<u>397</u>	<u>3,603</u>
Total central	<u>383,586</u>	<u>385,877</u>	<u>(2,291)</u>
Other:			
Discretionary funds building	33,611	12,357	21,254
Capital outlay	61,000	68,387	(7,387)
Outgoing transfers to the ISD	<u>380,000</u>	<u>364,171</u>	<u>15,829</u>
Total other	<u>474,611</u>	<u>444,915</u>	<u>29,696</u>
TOTAL SUPPORT SERVICES	<u>13,886,562</u>	<u>13,641,137</u>	<u>245,425</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
COMMUNITY SERVICES:			
Salaries	\$ 1,686,385	\$ 1,636,233	\$ 50,152
Reserve faculty salaries		118	(118)
Employee insurance/benefits	204,997	182,025	22,972
Retirement	252,560	230,324	22,236
FICA	127,399	123,791	3,608
Travel and conference	19,540	14,234	5,306
Postage	12,000	8,551	3,449
Printing	521	5,757	(5,236)
Contracted services	244,667	261,629	(16,962)
Publications	33,205	27,623	5,582
Supplies	149,869	129,017	20,852
Telephone	6,900	6,799	101
Transportation	7,340	7,687	(347)
Field trips	6,348	5,183	1,165
Miscellaneous	24,000	28,108	(4,108)
Capital outlay	18,500	17,663	837
	<u>2,794,231</u>	<u>2,684,742</u>	<u>109,489</u>
TOTAL COMMUNITY SERVICES			
ATHLETICS:			
Salaries:			
Director	86,590	86,589	1
Coaches	344,142	365,935	(21,793)
Secretary	28,500	24,342	4,158
Employee insurance/benefits	27,393	28,070	(677)
Retirement	68,289	66,265	2,024
FICA	35,131	36,523	(1,392)
Contracted services	50,100	78,354	(28,254)
Travel and conferences		1,432	(1,432)
Supplies		25,558	(25,558)
Miscellaneous		160	(160)
	<u>640,145</u>	<u>713,228</u>	<u>(73,083)</u>
TOTAL ATHLETICS			
TOTAL EXPENDITURES	<u><u>\$ 39,280,041</u></u>	<u><u>\$39,002,390</u></u>	<u><u>\$ 277,651</u></u>

**OKEMOS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005
with comparative totals for June 30, 2004**

	School Lunch fund	Dart Gifted Education fund	Totals	
			2005	2004
ASSETS				
Cash	\$ 155,161	\$ 89,000	\$ 244,161	\$ 130,505
Investments		250,000	250,000	250,000
Receivables:				
Intergovernmental	7,570		7,570	5,286
Other	19,273		19,273	34,914
Due from other funds		147	147	
Inventory	21,053		21,053	17,738
	<u>21,053</u>	<u> </u>	<u>21,053</u>	<u>17,738</u>
Total assets	<u>\$ 203,057</u>	<u>\$ 339,147</u>	<u>\$ 542,204</u>	<u>\$ 438,443</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and fringe benefits payable	\$	\$	\$	\$ 1,994
Due to other funds	191,688		191,688	90,954
	<u>191,688</u>	<u> </u>	<u>191,688</u>	<u>90,954</u>
Total liabilities	<u>191,688</u>	<u> </u>	<u>191,688</u>	<u>92,948</u>
Fund balances:				
Reserved - trust activities		339,147	339,147	324,626
Unreserved and undesignated	11,369		11,369	20,869
	<u>11,369</u>	<u>339,147</u>	<u>350,516</u>	<u>345,495</u>
Total fund balances	<u>11,369</u>	<u>339,147</u>	<u>350,516</u>	<u>345,495</u>
Total liabilities and fund balances	<u>\$ 203,057</u>	<u>\$ 339,147</u>	<u>\$ 542,204</u>	<u>\$ 438,443</u>

OKEMOS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
with comparative totals for the year ended June 30, 2004

	School Lunch fund	Dart Gifted Education fund	Totals	
			2005	2004
REVENUES:				
Food sales	\$ 1,221,306	\$	\$ 1,221,306	\$ 1,231,926
Federal sources	157,504		157,504	162,421
State sources	53,076		53,076	40,880
Interest		14,521	14,521	15,270
Total revenues	1,431,886	14,521	1,446,407	1,450,497
EXPENDITURES:				
Salaries and wages	487,186		487,186	541,765
Employee benefits	218,782		218,782	105,251
Supplies and other expenses	175,840		175,840	118,189
Food costs	566,686		566,686	645,479
Capital outlay	40,892		40,892	2,735
Total expenditures	1,489,386		1,489,386	1,413,419
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(57,500)	14,521	(42,979)	37,078
OTHER FINANCING SOURCES:				
Transfers in	48,000		48,000	
NET CHANGE IN FUND BALANCES	(9,500)	14,521	5,021	37,078
FUND BALANCES, beginning of year	20,869	324,626	345,495	308,417
FUND BALANCES, end of year	\$ 11,369	\$ 339,147	\$ 350,516	\$ 345,495

**OKEMOS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005
with comparative totals for June 30, 2004**

	Debt service funds								Totals	
ASSETS	1991	1993	1994	Refunding 1999	Technology 1999	Refunding 2002	Refunding 2003	Technology 2003	2005	2004
Cash	\$ 149,664	\$ 239,318	\$ 139,484	\$ 82,506	\$ 26,864	\$ 183,853	\$ 94,470	\$ 44,056	\$ 960,215	\$ 748,085
Investments	102	102	102	102	102	102			612	
Due from other funds	46,895		1	2,669		39,155	124,106		212,826	665,348
	<u>\$ 196,661</u>	<u>\$ 239,420</u>	<u>\$ 139,587</u>	<u>\$ 85,277</u>	<u>\$ 26,966</u>	<u>\$ 223,110</u>	<u>\$ 218,576</u>	<u>\$ 44,056</u>	<u>\$ 1,173,653</u>	<u>\$ 1,413,433</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Due to other funds	\$	\$ 222,584	\$	\$	\$ 26,966	\$	\$	\$ 7,897	\$ 257,447	\$ 194,500
Fund balances:										
Reserved for debt service	<u>196,661</u>	<u>16,836</u>	<u>139,587</u>	<u>85,277</u>	<u></u>	<u>223,110</u>	<u>218,576</u>	<u>36,159</u>	<u>916,206</u>	<u>1,218,933</u>
	<u>\$ 196,661</u>	<u>\$ 239,420</u>	<u>\$ 139,587</u>	<u>\$ 85,277</u>	<u>\$ 26,966</u>	<u>\$ 223,110</u>	<u>\$ 218,576</u>	<u>\$ 44,056</u>	<u>\$ 1,173,653</u>	<u>\$ 1,413,433</u>

OKEMOS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
with comparative totals for the year ended June 30, 2004

	Debt service funds							Totals		
	1991	1993	1994	Refunding 1999	Technology 1999	Refunding 2002	Refunding 2003	Technology 2003	2005	2004
REVENUES:										
Local sources:										
Property taxes	\$2,088,330	\$	\$	\$ 493,029	\$ 347,073	\$ 704,789	\$ 630,377	\$ 150,161	\$4,413,759	\$5,478,596
Interest on investments	19,357	10,001	180	6,418	277	14,254	482	120	51,089	33,511
Total revenues	2,107,687	10,001	180	499,447	347,350	719,043	630,859	150,281	4,464,848	5,512,107
EXPENDITURES:										
Debt service:										
Principal retirement	1,925,000			340,000	325,000	610,000	240,000	150,000	3,590,000	3,250,000
Interest				171,270	13,975	65,063	904,467	22,400	1,177,175	1,395,009
Miscellaneous expense		400							400	2,050
Total expenditures	1,925,000	400		511,270	338,975	675,063	1,144,467	172,400	4,767,575	4,647,059
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES										
	182,687	9,601	180	(11,823)	8,375	43,980	(513,608)	(22,119)	(302,727)	865,048
OTHER FINANCING SOURCES (USES):										
Transfers in (out)		(850,000)			(24,043)	24,043	850,000			
NET CHANGE IN FUND BALANCES										
	182,687	(840,399)	180	(11,823)	(15,668)	68,023	336,392	(22,119)	(302,727)	865,048
FUND BALANCES (DEFICIT), beginning of year	13,974	857,235	139,407	97,100	15,668	155,087	(117,816)	58,278	1,218,933	353,885
FUND BALANCES, end of year	\$ 196,661	\$ 16,836	\$ 139,587	\$ 85,277	\$	\$ 223,110	\$ 218,576	\$ 36,159	\$ 916,206	\$ 1,218,933

**OKEMOS PUBLIC SCHOOLS
CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005
with comparative totals for June 30, 2004**

	2003 Technology fund	Sinking fund	Energy bond fund	Totals	
				2005	2004
ASSETS					
Cash	\$ 164,073	\$ 67,911	\$ 1,249	\$ 233,233	\$ 852,115
Investments		102		102	
Due from other funds	13,227			13,227	10,528
	<u>\$ 177,300</u>	<u>\$ 68,013</u>	<u>\$ 1,249</u>	<u>\$ 246,562</u>	<u>\$ 862,643</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Accounts payable	\$	\$ 390,780	\$	\$ 390,780	\$
Due to other funds		94,973		94,973	524,480
		<u>485,753</u>		<u>485,753</u>	<u>524,480</u>
Total liabilities					
Fund balances (deficit):					
Reserved for capital outlay	177,300		1,249	178,549	338,163
Unreserved, undesignated		(417,740)		(417,740)	
	<u>177,300</u>	<u>(417,740)</u>	<u>1,249</u>	<u>(239,191)</u>	<u>338,163</u>
Total fund balances (deficit)	<u>\$ 177,300</u>	<u>\$ 68,013</u>	<u>\$ 1,249</u>	<u>\$ 246,562</u>	<u>\$ 862,643</u>

**OKEMOS PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
with comparative totals for the year ended June 30, 2004**

	2003 Technology fund	Sinking fund	Energy bond fund	Total	
				2005	2004
REVENUES:					
Local sources:					
Property taxes	\$	\$ 1,554,588	\$	\$ 1,554,588	\$ 1,491,450
Interest on investments	8,700	14,813	248	23,761	10,013
Total revenues	8,700	1,569,401	248	1,578,349	1,501,463
EXPENDITURES:					
Capital outlay	415,698	1,536,545		1,952,243	2,261,565
Principal retirement			190,000	190,000	180,000
Interest			13,460	13,460	20,195
Total expenditures	415,698	1,536,545	203,460	2,155,703	2,461,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(406,998)	32,856	(203,212)	(577,354)	(960,297)
OTHER FINANCING SOURCES (USES):					
Transfers in (out)		(203,460)	203,460		53,312
NET CHANGE IN FUND BALANCES	(406,998)	(170,604)	248	(577,354)	(906,985)
FUND BALANCES (DEFICIT), beginning of year	584,298	(247,136)	1,001	338,163	1,245,148
FUND BALANCES (DEFICIT), end of year	\$ 177,300	\$ (417,740)	\$ 1,249	\$ (239,191)	\$ 338,163

**OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2005**

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
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ELEMENTARY AGENCY FUND

ASSETS

Cash	\$ 67,356	\$ 227,869	\$ 170,244	\$ 124,981
Due from other funds	42,901		42,901	
	<u>\$ 110,257</u>	<u>\$ 227,869</u>	<u>\$ 213,145</u>	<u>\$ 124,981</u>

LIABILITIES

Due to student groups	<u>\$ 110,257</u>	<u>\$ 227,869</u>	<u>\$ 213,145</u>	<u>\$ 124,981</u>
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BUSINESS OFFICE AGENCY FUND

ASSETS

Cash	\$ 54,990	\$ 69,011	\$ 33,244	\$ 90,757
Due from other funds	13,333		13,333	
	<u>\$ 68,323</u>	<u>\$ 69,011</u>	<u>\$ 46,577</u>	<u>\$ 90,757</u>

LIABILITIES

Due to student groups	<u>\$ 68,323</u>	<u>\$ 69,011</u>	<u>\$ 46,577</u>	<u>\$ 90,757</u>
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MIDDLE SCHOOL AGENCY FUND

ASSETS

Cash	\$ 184,800	\$ 332,639	\$ 320,978	\$ 196,461
Due from other funds	5,432		5,432	
	<u>\$ 190,232</u>	<u>\$ 332,639</u>	<u>\$ 326,410</u>	<u>\$ 196,461</u>

LIABILITIES

Due to student groups	<u>\$ 190,232</u>	<u>\$ 332,639</u>	<u>\$ 326,410</u>	<u>\$ 196,461</u>
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OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
HIGH SCHOOL AGENCY FUNDS				
ASSETS				
Cash	\$ 212,359	\$ 707,234	\$ 696,649	\$ 222,944
Due from other funds	4,010		4,010	
	<u>\$ 216,369</u>	<u>\$ 707,234</u>	<u>\$ 700,659</u>	<u>\$ 222,944</u>
LIABILITIES				
Due to other funds	\$	\$	\$ 15,067	\$ 15,067
Due to student groups	216,369	707,234	685,592	207,877
	<u>\$ 216,369</u>	<u>\$ 707,234</u>	<u>\$ 700,659</u>	<u>\$ 222,944</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 519,505	\$ 1,336,753	\$ 1,221,115	\$ 635,143
Due from other funds	65,676		65,676	
	<u>\$ 585,181</u>	<u>\$ 1,336,753</u>	<u>\$ 1,286,791</u>	<u>\$ 635,143</u>
LIABILITIES				
Due to other funds	\$	\$	\$ 15,067	\$ 15,067
Due to student groups	585,181	1,336,753	1,271,724	620,076
	<u>\$ 585,181</u>	<u>\$ 1,336,753</u>	<u>\$ 1,286,791</u>	<u>\$ 635,143</u>

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
ELEMENTARY:				
Bennett Woods:				
Contingency fund	\$ 21,733	\$ 22,993	\$ 26,405	\$ 18,321
Media	737	2,316	2,392	661
Central:				
Andrew Freeman	3,761	910	539	4,132
Book Fair - reading	3,151	18,240	17,943	3,448
Contingency fund	10,570	4,003	2,967	11,606
Field trip	(24)	4,225	3,488	713
5th Grade activity	106		90	16
Junior Great Books	167	1		168
Store - Spirit Shop	72	2,107	1,789	390
Student Council	488	789	792	485
Tech Ed	6			6
Vending	518	827	964	381
Cornell:				
Art	356	388	313	431
Book Fair - reading	1,197	7,067	7,068	1,196
Camp	3,741		3,741	
Chorus	89			89
Contingency fund	1,145	3,756		4,901
Field trip	7,388	21,888	15,137	14,139
Lifetouch	467	371		838
Media	2,729	6,289	6,783	2,235
Office-Cornell	2,151	300	1,154	1,297
Visiting Authors	63	305	305	63
Yearbook	124	1		125

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
ELEMENTARY (Concluded):				
Hiawatha:				
Book Fair - reading	\$ 2,636	\$ 13,199	\$ 13,198	\$ 2,637
Camp fund	4,054	11,030	12,258	2,826
Concessions		5,459	5,454	5
Contingency fund	656	3		659
Field trips	1,874	1,496	1,407	1,963
Greenfield Village	332	1,289	1,232	389
Staff PTO budget		4,815		4,815
Media	7,804	16,717	19,600	4,921
Store	5,002	3,282	1,911	6,373
Student Council	3,941	2,497	846	5,592
Vending	1,923	793	196	2,520
Yearbook	348	8,717	8,261	804
Wardcliff:				
4th Grade-Wardcliff	241	815	631	425
Camp	945	6,526	6,366	1,105
Chess	1		1	
Chorus	1,277	3,235	3,352	1,160
Contingency Fund	13,493	11,039	6,568	17,964
Garden	962	5		967
Heiffer Project	1		1	
IMC	2,472	37,808	37,445	2,835
Kindergarten		456	273	183
Literacy	685	3	478	210
Spartan Program	665	4		669
MONTESSORI:				
Contingency		1,904	1,797	107
Literacy (old Edgewood)	210	1		211
TOTAL ELEMENTARY	110,257	227,869	213,145	124,981

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
BUSINESS OFFICE:				
Community education equipment	\$ 1,495	\$ 8	\$	\$ 1,503
Community education office supplies	7,215	39		7,254
Community education - playground	457	2		459
Community education - scholarships	4,837	12,514	1,636	15,715
Contingency fund	370	2		372
Appreciation dinner	86	25		111
C.M.S.M.A.	280	120	197	203
Contingency - transport		194	55	139
Don Skinner Memorial Fund	17			17
Interest-IMF & Checking	10,198	10,242	3,339	17,101
 Mark Moskal Memorial Fund	 308	 3		 311
Meijer rewards		170		170
Michelle Smith Memorial	99	1		100
Miscellaneous	42		1	41
Nina Massa Memorial	6,336	1,152	500	6,988
 Okemos Channel 64 - Ottinger	 2,191	 14,787	 14,908	 2,070
Parent Council	28			28
Sarah Doig Memorial	139			139
Senior Center	13,394	15,517	17,000	11,911
Special Needs Camp	16,203	11,779	8,753	19,229
 Unclaimed deposits	 4,356	 2,454	 188	 6,622
Wellness	272	2		274
 TOTAL BUSINESS OFFICE	 <u>68,323</u>	 <u>69,011</u>	 <u>46,577</u>	 <u>90,757</u>

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
MIDDLE SCHOOL:				
Chippewa:				
Andros Richter	\$ 4,046	\$ 101	\$ 178	\$ 3,969
Art	1	1		2
Athletics	830	13,949	14,430	349
Band	1,088	1,594	1,317	1,365
Cedar Point	450	9,289	9,873	(134)
Celebration account	98	1		99
Cheerleaders				
Chorus	3,260	1,700	2,071	2,889
Concession	116	2,552	1,971	697
Field trips	72		552	(480)
Fitness Lab Memorial	252	1		253
French	26	347		373
German	133	1		134
Guidance	508	4		512
Klick	597	1	593	5
Morris/Pixley	184		133	51
Language Arts		42	4	38
Locks - Phys Ed	111	36		147
Lugnuts	29			29
Fushion	1,543	11,474	10,562	2,455
MSJ	1,282	624	740	1,166
Media	132	1		133
Achieve	2,097	1,406	3,429	74
Miscellaneous	571	3		574
Music	3,125	3,728	2,119	4,734

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
MIDDLE SCHOOL (Continued):				
Chippewa (Concluded):				
Naganit	\$ 6,820	\$ 19,131	\$ 16,350	\$ 9,601
Officials	5,154	8,994	4,897	9,251
Paperback	1,893	3,252	3,075	2,070
Principal's Acct	16,823	8,893	14,330	11,386
Registration	10,444	6,871	6,890	10,425
Scholarship	1,899	10	480	1,429
Science	982	5		987
6th grade activity	424	13,973	13,223	1,174
Ski team				
Social studies	3		1	2
Spanish		449	65	384
Store - Spirit shop	970	634	643	961
Student Council	155	3,476	3,223	408
Tech ed	172	1		173
Tetra camp	2,584	50,492	49,017	4,059
Theater	22,613	6,939	5,652	23,900
Tribute	995	4	419	580
Yearbook	799	7,351	6,400	1,750
Kinawa:				
Activity-Kinawa	503	3		506
Athletics	4,565	10,058	9,749	4,874
Band	976	3,773	4,919	(170)
Camp	1,012	20,792	19,288	2,516
Cedar Point	3,166	8,700	8,264	3,602
Chorus	2,118	4,295	4,605	1,808
Concession	8,620	5,146	6,038	7,728

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
MIDDLE SCHOOL (Concluded):				
Kinawa (Concluded):				
Counseling	\$ 1,321	\$ 6	\$ 105	\$ 1,222
Damaged books	9,200	2,974	1,877	10,297
Foreign language				
Grant-Barb Kissling	179	1,385	500	1,064
IMC	2,127	3,198	3,948	1,377
Locks	329	155		484
Miscellaneous	2,475	4,185	3,154	3,506
Music	307	3,523	3,357	473
Officials	40	10,489	10,272	257
Scholarship	6,878	1,037	214	7,701
Science Olympiad	88	421	450	59
Sunshine club	134	201	319	16
Student Council	8,619	11,833	8,873	11,579
Team 8-1	6,059	7,475	7,519	6,015
Team 7-1	2,159	892	719	2,332
Team 6-1	150	1	91	60
Team 6-2	388	674	703	359
Team 6-3	287	1	242	46
Team 6-4	885	11,632	11,376	1,141
Tech Ed	146	50	6	190
Theater	11,020	11,618	15,667	6,971
Tournament	10,790	8,938	7,055	12,673
Vending	10,047	13,988	16,871	7,164
Yearbook	2,363	7,866	7,592	2,637
TOTAL MIDDLE SCHOOL	<u>190,232</u>	<u>332,639</u>	<u>326,410</u>	<u>196,461</u>

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
OKEMOS HIGH SCHOOL:				
Action	\$ 2,120	\$ 3,370	\$ 3,203	\$ 2,287
AP Exams	5,705	39,939	35,287	10,357
Art Club	802	522	712	612
Asian American	18			18
Athletic projects - Stolz	6,680	163,935	170,615	
 Athletic scholarship	 505	 3		 508
Band	4,819	833	580	5,072
Bertrand spirit award	250	2	250	2
Capital Circuit League	31		1	30
Ceramic	171	1		172
 Chorus	 5,635	 8,073	 6,773	 6,935
Cinema Club	7			7
Class of 2002	543	4	270	277
Class of 2003	509	3		512
Class of 2004	1,491	8	1,255	244
 Class of 2005	 7,417	 10,025	 12,123	 5,319
Class of 2006	3,363	18,429	14,855	6,937
Class of 2007	658	8,118	4,960	3,816
Class of 2008		3,817	2,692	1,125
Close Up Foundation	4,084	14,023	13,854	4,253
 Damaged books - Adm.	 20,592	 13,717	 12,083	 22,226
Damaged books - Band	13	5		18
Damaged books - Business	289	1	289	1
Damaged books - Choir	18			18
Damaged books - English	1,465	588	64	1,989
 Damaged books - Eng Ess	 178	 1		 179
Damaged books - Foreign Language	6,661	2,166	1,476	7,351
Damaged books - Life Skills	31			31
Damaged books - Math	7,540	766	228	8,078
Damaged books - Orchestra	1,319	7		1,326

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
OKEMOS HIGH SCHOOL (Continued):				
Damaged books - Phys Ed	\$ 44	\$ 53	\$ 46	\$ 51
Damaged books - Science	5,461	1,032	979	5,514
Damaged books - Social studies	1,128	582	550	1,160
Debate Club	49	200		249
DeRath Memorial	1,870	11	1,881	
 Drama		6,608	6,608	
Earth science	118	655	609	164
Earth watchers	435	2		437
Energy grant	59	1		60
Entry fees	2	39,398	39,222	178
 Faculty lounge	2,166	1,913	1,827	2,252
Field Trip - Morrison	5	1		6
Field trip	742	4		746
Field trip - Solomon	427	1,581	1,482	526
Forensics	4			4
 French Club	17,259	4,184	3,948	17,495
German Club	94			94
German Exchange Program	262	851		1,113
Grant		501	486	15
Grant - Teachers	235	2		237
Greenhouse	1,711	2	1,470	243
 Honor Society	943	2,416	1,799	1,560
IMC copier money	253	1,648	383	1,518
Johnson family scholarship	394	2	500	(104)
Key Club	128	594	444	278
Latin Club	263	2		265

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
OKEMOS HIGH SCHOOL (Continued):				
Life Skills	\$ 7	\$ 1	\$	\$ 8
Literary Magazine	1,529	2,175	2,039	1,665
Memorial Fund	87			87
Memorial Fund-Laurence	345	4		349
Model U.N.	125	387	512	
 Oakie Breakfast Club	 2,385	 633	 436	 2,582
Officials	24	134,462	134,486	
OHS Basic Class	1			1
OHS Science Olympiad	48	1,040	928	160
OHS Touch of Class	25	5,423	5,345	103
 Orchestra	 406	 2,438	 1,868	 976
Pals	1,682	7	813	876
HS Literary Club	28		28	
Photo	690	846	2,002	(466)
Pole vault		3,080	2,329	751
 Quiz Bowl	 1,874	 10	 1,615	 269
Radio Club	242	9,814	9,566	490
Reserve Student Council	4,707	25		4,732
S.A.D.D.	1,398	8	31	1,375
Sangam	271	2		273
 School Newspaper-H.S.	 1,604	 6,924	 4,701	 3,827
S.E.E.D.	347		373	(26)
Seismic Station	1,631	9		1,640
Senior Volunteer Project	732	853	949	636
Shaw Festival Trip	1,181	7		1,188
Soccer		7,245		7,245

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
OKEMOS HIGH SCHOOL (Concluded):				
Spanish Club	\$ 4,060	\$ 10,835	\$ 10,321	\$ 4,574
Sports Camp-Froelich	3,352	25,259	23,619	4,992
Students for Environmental Action	1		1	
Store-Spirit Shop	1,917	28,115	29,190	842
Student Council	1,384	14,589	13,466	2,507
Swim Team - Boys	140	1		141
Swim Team - Girls	155	1		156
Tech Ed	5	286	273	18
Television	309	1		310
Theatrical	39,383	30,376	33,907	35,852
Traqvis Memorial	25			25
Water Polo	1,505	8		1,513
Yearbook	22,887	71,755	78,057	16,585
Young Democrats	2,285	12		2,297
Young Republicans	626	4		630
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL HIGH SCHOOL	216,369	707,234	700,659	222,944
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL - ALL AGENCY FUNDS	\$ 585,181	\$ 1,336,753	\$ 1,286,791	\$ 635,143
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005**

Date

August 22, 1991

Purpose:

The proceeds from the bonds will be used for the purpose of paying a part of the cost of erecting, furnishing and equipping a new high school, a new elementary school and a new bus maintenance building and acquiring sites therefore; partially remodeling and partially reequipping Kinawa Middle School and the existing high school for middle school and community education purposes; constructing, equipping and/or improving sites, outdoor physical education, athletic and playground facilities.

Type of bonds	Interest rate	Maturity date	Original principal
Capital appreciation (serial) bonds	7.0 - 8.25	2004 - 2006	\$ 2,395,620

Capital Appreciation (Serial) Bonds issued for \$2,395,620 (Face amount at maturity \$7,080,000) on August 22, 1991, the approximate yield of the bonds' appreciation ranges from 7.0% to 8.25%

Date	Appreciation	Payments	Appreciated value
05/01/05	\$	\$	\$ 2,098,282
11/01/05	86,573		2,184,855
05/01/06	90,145	2,275,000	

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005**

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
February 2, 1993	Capital appreciation bonds	Serial	<u>\$ 17,321,722</u>

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school bonds dated August 22, 1991 which bonds are due and payable in the years 2012 through 2021 and to pay the cost of issuance.

Capital appreciation (serial) bonds issued for \$17,321,722 (face amount at maturity \$80,225,000). On February 2, 1993, the approximate yield of the bond's appreciation ranges from 6.45% to 6.55%.

<u>Date</u>	<u>Appreciation</u>	<u>Payments</u>	<u>Appreciation value</u>
05/01/05	\$	\$	\$ 37,975,999
11/01/05	1,236,761		39,212,760
05/01/06	1,277,066		40,489,826
11/01/06	1,318,642		41,808,468
05/01/07	1,361,587		43,170,055
11/01/07	1,405,934		44,575,989

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005**

<u>Date</u>	<u>Appreciation</u>	<u>Payments</u>	<u>Appreciation value</u>
05/01/08	\$ 1,451,748	\$	\$ 46,027,737
11/01/08	1,498,989		47,526,726
05/01/09	1,547,823		49,074,549
11/01/09	1,598,227		50,672,776
05/01/10	1,650,282		52,323,058
11/01/10	1,704,042		54,027,100
05/01/11	1,759,527		55,786,627
11/01/11	1,816,815		57,603,442
05/01/12	1,876,156	6,325,000	53,154,598
11/01/12	1,733,135		54,887,733
05/01/13	1,789,851	6,650,000	50,027,584
11/01/13	1,633,562		51,661,146
05/01/14	1,686,899	7,000,000	46,348,045
11/01/14	1,514,448		47,862,493
05/01/15	1,564,079	7,355,000	42,071,572
11/01/15	1,376,025		43,447,597
05/01/16	1,421,128	7,740,000	37,128,725
11/01/16	1,215,952		38,344,677
05/01/17	1,255,808	8,145,000	31,455,485
11/01/17	1,030,173		32,485,658
05/01/18	1,063,919	8,565,000	24,984,577
11/01/18	818,248		25,802,825
05/01/19	845,348	9,010,000	17,638,173
11/01/19	577,668		18,215,841
05/01/20	597,037	9,475,000	9,337,878
11/01/20	305,812		9,643,690
05/01/21	316,310	9,960,000	

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005**

Capital Appreciation (Serial) Bonds Issued for \$1,100,858 (face amount at maturity \$2,420,000)
on June 9, 1994, the approximate yield of the bonds' appreciation is 5.75%

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding bonds dated August 22, 1991 which bonds are due and payable in the years 2007 through 2011 and to pay the costs of issuance.

<u>Date</u>	<u>Appreciation</u>	<u>Payments</u>	<u>Appreciated value</u>
05/01/05	\$	\$	\$ 2,160,576
11/01/05	62,117		2,222,693
05/01/06	63,902		2,286,595
11/01/06	65,737		2,352,332
05/01/07	67,668	2,420,000	

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005**

Date	Name	Kind	Original issue
August 1, 1999	1999 refunding bonds	General obligation	<u>\$ 7,135,000</u>

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school building and site bonds dated August 22, 1991 which bonds are due and payable in the years 1992 through 2006 and to pay the cost of issuance.

Maturity date	Interest rate	Principal due May 1	Interest due		Total
			May 1	November 1	
2005	4.35	\$	\$	\$ 78,240	\$ 78,240
2006	4.45	305,000	78,240	71,454	454,694
2007	4.55	395,000	71,454	62,467	528,921
2008	4.65	640,000	62,467	47,588	750,055
2009	4.70	2,025,000	47,588		2,072,588
		<u>\$ 3,365,000</u>	<u>\$ 259,749</u>	<u>\$ 259,749</u>	<u>\$ 3,884,498</u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
October 23, 2001	2001 Energy bonds	Energy Bonds	<u>\$ 900,000</u>

Purpose: The proceeds from the bonds will be used for the purpose of conserving energy costs.

<u>Maturity date May 1,</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2005	3.40	\$	\$	\$ 3,500	\$ 3,500
2006	3.50	<u>200,000</u>	<u>3,500</u>		<u>203,500</u>
		<u>\$ 200,000</u>	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ 207,000</u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
March 4, 2002	2002 Refunding bonds	General obligation	<u><u>\$ 4,920,000</u></u>

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school refunding bonds dated April 20, 1992 which bonds are due and payable in the years 2004 and 2008 and to pay the cost of issuance.

<u>Maturity date May 1,</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2005	3.000	\$	\$	\$ 23,381	\$ 23,381
2006	3.250	670,000	23,381	12,494	705,875
2007	3.625	390,000	12,494	5,425	407,919
2008	3.875	280,000	5,425		285,425
		<u><u>\$ 1,340,000</u></u>	<u><u>\$ 41,300</u></u>	<u><u>\$ 41,300</u></u>	<u><u>\$ 1,422,600</u></u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005

Date	Name	Kind	Original issue
March 4, 2003	2003 Refunding bonds	General obligation	<u>\$19,725,000</u>

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school refunding bonds dated June 9, 1993 and February 1, 1994 which bonds are due and payable in the years 2004 through 2019 and to pay the cost of issuance.

Maturity date May 1,	Interest rate	Principal due May 1	Interest due		Total
			May 1	November 1	
2005	2.000	\$	\$	\$ 456,191	\$ 456,191
2006	2.000	290,000	456,191	453,291	1,199,482
2007	2.625	430,000	453,291	447,647	1,330,938
2008	4.750	2,885,000	447,647	379,128	3,711,775
2009	4.750	2,640,000	379,128	316,428	3,335,556
2010	4.750	5,255,000	316,428	191,622	5,763,050
2011	5.000	5,875,000	191,622	44,747	6,111,369
2012	4.250	215,000	44,747	40,178	299,925
2013	4.250	275,000	40,178	34,334	349,512
2014	4.000	305,000	34,334	28,234	367,568
2015	4.125	335,000	28,234	21,325	384,559
2016	4.250	335,000	21,325	14,206	370,531
2017	4.375	310,000	14,206	7,425	331,631
2018	4.400	225,000	7,425	2,475	234,900
2019	4.500	110,000	2,475		112,475
		<u>\$ 19,485,000</u>	<u>\$ 2,437,231</u>	<u>\$ 2,437,231</u>	<u>\$24,359,462</u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
May 1, 2003	2003 school technology bonds	General obligation	<u><u>\$ 975,000</u></u>

Purpose: The proceeds from the bonds will be used for the purpose of acquiring and installing technology.

<u>Maturity date</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2005	2.50	\$	\$	\$ 9,325	\$ 9,325
2006	2.60	175,000	9,325	7,050	191,375
2007	2.60	225,000	7,050	4,125	236,175
2008	2.75	<u>300,000</u>	<u>4,125</u>		<u>304,125</u>
		<u><u>\$ 700,000</u></u>	<u><u>\$ 20,500</u></u>	<u><u>\$ 20,500</u></u>	<u><u>\$ 741,000</u></u>

OKEMOS PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2005

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Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Okemos Public Schools
Okemos, Michigan

August 15, 2005

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools as of and for the year ended June 30, 2005, which collectively comprise Okemos Public Schools' basic financial statements and have issued our report thereon dated August 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okemos Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okemos Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Education
Okemos Public Schools

August 15, 2005

We noted other matters involving the internal control over financial reporting that we have reported to management of Okemos Public Schools in a separate letter dated August 15, 2005.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mamay, Costenisan & Ellis, P.C.

Certified Public Accountants



Lamonte T. Lator
Bruce J. Dunn
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Okemos Public Schools
Okemos, Michigan

August 15, 2005

Compliance

We have audited the compliance of Okemos Public Schools with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Okemos Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Okemos Public Schools' management. Our responsibility is to express an opinion on Okemos Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Okemos Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Okemos Public Schools' compliance with those requirements.

In our opinion, Okemos Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

August 15, 2005

Internal Control Over Compliance

The management of Okemos Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Okemos Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Okemos Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 15, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Okemos Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mama, Costeniser & Ellis, P.C.

Certified Public Accountants

OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2004	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts (cash basis)	Accrued (deferred) revenue 6/30/2005
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Program - Section 4	10.555	041950	\$ 6,020	\$	\$ 38,497	\$ 6,020	\$ 6,020	\$
National School Lunch Program - Section 4		051950	40,131			40,131	40,131	
National School Lunch Program - Section 11		041960	9,109		54,251	9,109	9,109	
National School Lunch Program - Section 11		051960	69,806			69,806	69,806	
			125,066		92,748	125,066	125,066	
National School Lunch Program - Breakfast	10.553	041970	930		9,567	930	930	
		051970	7,122			7,122	7,122	
			8,052		9,567	8,052	8,052	
Total child nutrition cluster			133,118		102,315	133,118	133,118	
National School Lunch Program - Commodities:								
Entitlement:	10.550							
Bonus			3,313		7,994	3,313	3,313	
Entitlement			21,073		51,310	21,073	21,073	
			24,386		59,304	24,386	24,386	
Total U. S. Department of Agriculture			157,504		161,619	157,504	157,504	

The accompanying notes are an integral part of this schedule.

OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2004	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts (cash basis)	Accrued (deferred) revenue 6/30/2005
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I	84.010	031530 0304	\$ 17,986	\$ 17,896	\$ 17,986	\$	\$ 17,896	\$
		041530 0304	95,985	25,985	25,985		25,985	
		041530 0405	145,526			145,526	145,526	
		051530 0405	166,780			147,157	166,780	(19,623)
			<u>426,277</u>	<u>43,881</u>	<u>43,971</u>	<u>292,683</u>	<u>356,187</u>	<u>(19,623)</u>
Title V	84.298	030250 0304	101	101	101		101	
		040250 0304	3,345	3,345	3,345		3,345	
		050250 0405	2,451			2,451	2,451	
			<u>5,897</u>	<u>3,446</u>	<u>3,446</u>	<u>2,451</u>	<u>5,897</u>	
Title II Part D	84.318	034290 0304	1,052	1,052	1,052		1,052	
		044290 0304	5,873	5,873	5,873		5,873	
		054290 0405	4,239			4,239	4,239	
			<u>11,164</u>	<u>6,925</u>	<u>6,925</u>	<u>4,239</u>	<u>11,164</u>	
Title II Part A	84.367	030520 0304	32,911	32,911	32,911		32,911	
		040520 0304	48,910	18,910	30,000		18,910	
		040520 0405	50,685			50,685	50,685	
		050520 0405	84,029			28,252	30,000	(1,748)
			<u>216,535</u>	<u>51,821</u>	<u>62,911</u>	<u>78,937</u>	<u>132,506</u>	<u>(1,748)</u>

The accompanying notes are an integral part of this schedule.

OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2004	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts (cash basis)	Accrued (deferred) revenue 6/30/2005
<u>U.S. Department of Education (Concluded):</u>								
Passed through Ingham Intermediate School District IDEA	84.137		\$ 18,109	\$	\$	\$ 18,109	\$ 18,109	\$
Total U.S. Department of Education			677,982	106,073	117,253	396,419	523,863	(21,371)
<u>U.S. Department of Homeland Security:</u>								
Passed through Michigan State Police	97.004		19,800			19,800	19,800	
<u>Environmental Protection Agency:</u>								
Special purpose activities related to the Clean Air Act	66.034		70,000			70,000	70,000	
Total Federal Assistance			\$ 925,286	\$ 106,073	\$ 278,872	\$ 643,723	\$ 771,167	\$ (21,371)

The accompanying notes are an integral part of this schedule.

OKEMOS PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Okemos Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. CFDA (#10.553, #10.555 and #84.010) were audited as the major programs, representing 66% of expenditures. The District does not qualify for low risk auditee status.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 486,219
Other nonmajor governmental fund	<u>157,504</u>
Subtotal	<u><u>\$ 643,723</u></u>

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
* Material weakness(es) identified:	<u> </u> Yes	<u> X </u> No	
* Reportable condition(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
* Material weakness(es) identified:	<u> </u> Yes	<u> X </u> No	
* Reportable condition(s) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported	
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?	<u> </u> Yes	<u> X </u> No	
Identification of major programs:			

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 and 10.553	Child Nutrition Cluster
84.010	Title 1

Dollar threshold used to distinguish between type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005**

There were no prior year audit findings for the year ended June 30, 2004.



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August 15, 2005

To the Board of Education
Okemos Public Schools
Okemos, Michigan

In planning and performing our audit of the financial statements of Okemos Public Schools for the year ended June 30, 2005, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 15, 2005, on the financial statements of Okemos Public Schools.

Prior Year Comments

We have reviewed the response by management. We believe the responses are appropriate and have been adequately addressed.

New Rules for §403(b) Plans

Proposed regulations were issued last year that require a written plan document for §403(b) plans. The plan must contain all the material terms and conditions for eligibility, benefits, contribution limitations, the annuity contracts or accounts available or used under the plan for funding, and the time and form under which benefit payments will be made. There is no requirement that a single document must be used. This rule applies for tax years beginning after 2005.

We would recommend that you contact your attorney before the end of 2005 to assure you comply.

Information System Back-up

Thorough back-up procedures appear to be in place. The procedures are known by the systems' administrators. The District should consider documenting the system back-up procedures and disaster recovery plan. In addition, the District should consider testing the recovery process at CMT.

Information System Password and Data Confidentiality Procedures

The District should consider developing a password change policy for all administrative users and standards for data confidentiality, access, and system security. This is especially important with payroll and Human Resources information. Security to the payroll system would be optimized if the following access rights were implemented:

<u>Lookup Access Only</u>	Deputy Superintendent Administrative Assistant to the Deputy Superintendent Director of Accounting
<u>Processing Access</u>	Payroll Coordinator Staff Accountant (back-up)

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Okemos Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

To the Board of Education
Okemos Public Schools
Okemos, Michigan

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August 15, 2005

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mama, Costeusan & Ellis, P.C.



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August 15, 2005

To the Board of Education
Okemos Public Schools
Okemos, Michigan

We have audited the financial statements of Okemos Public Schools for the year ended June 30, 2005, and have issued our report thereon dated August 15, 2005. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated August 8, 2005 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Okemos Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Okemos Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Okemos Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Okemos Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Okemos Public Schools' compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Okemos Public Schools are described in Note 1 to the financial statements. During 2005, the District adopted the new governmental investment disclosure as required by Governmental Accounting Standard Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. We noted no transactions entered into by Okemos Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were for compensated absences, the depreciable lives of capital assets, and the future amount receivable from the Consumer's energy settlement. Certain allocations on the statement of activities allocating grants between instruction and support services have been used in preparing the statements.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Okemos Public Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Okemos Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Okemos Public Schools' financial reporting process, except for the entry to record amounts payable and the related expense for construction in progress at year-end.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Okemos Public Schools’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, the Board of Education, management, and federal awarding agencies and pass through entities of Okemos Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Mammy Costenison & Ellis, P.C.